



SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-72163; File No. SR-ISE-2014-27]

Self-Regulatory Organizations; International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Schedule of Fees

May 14, 2014

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on May 2, 2014, the International Securities Exchange, LLC (the “Exchange” or the “ISE”) filed with the Securities and Exchange Commission the proposed rule change, as described in Items I, II, and III below, which items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The ISE proposes to amend its Schedule of Fees to introduce a new Market Maker Plus rebate for Market Makers that quote certain symbols in size, and to update the definition of Mini Option to reflect the recent Google stock split. The text of the proposed rule change is available on the Exchange’s website (<http://www.ise.com>), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in sections A, B and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to amend the Schedule of Fees to introduce a new Market Maker Plus rebate for Market Makers that quote certain symbols in size, and to update the definition of Mini Option to reflect the recent Google stock split. The fee changes discussed apply to both Standard Options and Mini Options traded on the Exchange. The Exchange's Schedule of Fees has separate tables for fees applicable to Standard Options and Mini Options. The Exchange notes that while the discussion below relates to fees for Standard Options, the fees for Mini Options, which are not discussed below, are and shall continue to be 1/10th of the fees for Standard Options.

1. Market Maker Plus: BAC, SPY, IWM

In order to promote and encourage liquidity in symbols that are in the penny pilot program ("Select Symbols"), the Exchange currently offers Market Makers³ who meet the quoting requirements for Market Maker Plus⁴ a rebate of \$0.20 per contract for adding liquidity

³ The term "Market Makers" refers to "Competitive Market Makers" and "Primary Market Makers" collectively. See ISE Rule 100(a)(25).

⁴ A Market Maker Plus is a Market Maker who is on the National Best Bid or National Best Offer at least 80% of the time for series trading between \$0.03 and \$3.00 (for options whose underlying stock's previous trading day's last sale price was less than or equal to \$100) and between \$0.10 and \$3.00 (for options whose underlying stock's previous trading day's last sale price was greater than \$100) in premium in each of the front two expiration months. A Market Maker's single best and single worst quoting days each month based on the front two expiration months, on a per symbol basis, will be

in those symbols. In addition, the Exchange pays a higher rebate of \$0.22 per contract to Market Makers who meet the quoting requirements for Market Maker Plus and are affiliated with an Electronic Access Member (“EAM”) that executes a total affiliated Priority Customer⁵ average daily volume (“ADV”) of 200,000 contracts or more in a calendar month. The Exchange now proposes to introduce an additional higher Market Maker Plus rebate for members that meet specified quotation size requirements on a trade by trade basis in three actively traded Select Symbols: Bank of America Corp (“BAC”), SPDR S&P 500 ETF Trust (“SPY”), and the iShares Russell 2000 ETF (“IWM”).⁶ In particular, Market Makers who qualify as Market Maker Plus in BAC, SPY, and IWM will earn a rebate of \$0.25 per contract if at the time of the trade their displayed quantity,⁷ in the traded series,⁸ is at least 1,000 contracts.⁹ Market Makers that achieve Market Maker Plus will continue to receive the current rebate amounts when the Market Maker does not have a displayed size of 1,000 contracts or more at the time of the trade. If a Market Maker that qualifies for the \$0.22 per contract Market Maker Plus rebate based on total affiliated Priority Customer ADV also qualifies for the new rebate that Market Maker will receive the higher \$0.25 per contract rebate.

excluded in calculating whether a Market Maker qualifies for this rebate, if doing so will qualify a Market Maker for the rebate.

⁵ A Priority Customer is defined in ISE Rule 100(a)(37A) as a person or entity that is not a broker/dealer in securities, and does not place more than 390 orders in listed options per day on average during a calendar month for its own beneficial account(s).

⁶ The new rebate will only apply to Mini Options on SPY as the ISE does not offer Mini Options on BAC or IWM.

⁷ There is no trade quantity minimum.

⁸ There is no requirement that the Market Maker maintain a quote size of 1,000 contracts in all series in order to qualify for the higher rebate

⁹ 1,000 contract size requirement applies to both Standard Options and Mini Options.

2. Mini Option Definition: Google Stock Split

The ISE recently amended Supplementary Material .13 to Rule 504, listing standards for Mini Options, to enable the continued trading of Mini Options on Google Class A shares, which were assigned a new symbol, “GOOGL”, in connection with Google’s recent stock split.¹⁰ The Exchange now proposes to similarly update the definition of “Mini Option” in its Schedule of Fees to indicate that Mini Options include options overlying ten shares of “GOOGL”. As proposed, “Mini Options” are options overlying ten (10) shares of AAPL, AMZN, GLD, GOOGL and SPY.¹¹

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the provisions of Section 6 of the Act,¹² in general, and Section 6(b)(4) of the Act,¹³ in particular, in that it is designed to provide for the equitable allocation of reasonable dues, fees, and other charges among its members and other persons using its facilities.

1. Market Maker Plus: BAC, SPY, IWM

The Exchange believes that it is reasonable, equitable, and not unfairly discriminatory to introduce a higher Market Maker Plus rebate for Market Makers that meet the specified quotation size requirements in BAC, SPY, and IWM as the higher rebates will encourage Market Makers to post deep markets in these actively traded symbols, which will benefit all market participants that trade on the ISE. The Market Maker Plus rebate is competitive with incentives

¹⁰ See Securities Exchange Act Release No. 71932 (April 11, 2014), 79 FR 21816 (April 17, 2014) (SR-ISE-2014-21).

¹¹ For purposes of the Schedule of Fees, AAPL, AMZN, GLD and SPY are Select Symbols and GOOGL is a Non-Select Symbol.

¹² 15 U.S.C. 78f.

¹³ 15 U.S.C. 78f(b)(4).

provided by other exchanges, and has proven to be an effective incentive for Market Makers to provide liquidity in Select Symbols. The Exchange believes that the new rebate will similarly be effective in encouraging Market Makers to post tighter markets, in size, in BAC, SPY, and IWM. Furthermore, the Exchange believes that the new Market Maker Plus rebate for these symbols is not unfairly discriminatory because all Market Makers can achieve the new higher rebate by satisfying the current quoting requirements and maintaining quotes of 1,000 contracts or more (at the time of the trade) in these symbols.

2. Mini Option Definition: Google Stock Split

As part of Google's recent stock split, the symbol "GOOG" was assigned to the new Google Class C shares, while Google Class A shares were assigned the symbol "GOOGL". The Exchange recently updated its Mini Options rules to clarify that it will continue listing Mini Options on the Google Class A shares, i.e., GOOGL, and believes that it is reasonable, equitable, and not unfairly discriminatory to update the definition of "Mini Option" in the Schedule of Fees in order to eliminate investor confusion about which options classes are tradable as Mini Options on the Exchange.

The Exchange notes that it has determined to charge fees and provide rebates in Mini Options at a rate that is 1/10th the rate of fees and rebates the Exchange provides for trading in Standard Options. The Exchange believes it is reasonable and equitable and not unfairly discriminatory to assess lower fees and rebates to provide market participants an incentive to trade Mini Options on the Exchange. The Exchange believes the proposed fees and rebates are reasonable and equitable in light of the fact that Mini Options have a smaller exercise and assignment value, specifically 1/10th that of a standard option contract, and, as such, is providing fees and rebates for Mini Options that are 1/10th of those applicable to Standard Options.

B. Self-Regulatory Organization's Statement on Burden on Competition

In accordance with Section 6(b)(8) of the Act,¹⁴ the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. To the contrary, the Exchange believes that the proposed rule change is pro-competitive as it provides an additional incentive for Market Makers to make deep markets in three actively traded Select Symbols, which will benefit all market participants that trade on the ISE. In addition, the proposed change to the definition of Mini Option is a technical change that will have no competitive impact. The Exchange operates in a highly competitive market in which market participants can readily direct their order flow to competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee changes reflect this competitive environment.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act¹⁵ and subparagraph (f)(2) of Rule 19b-4 thereunder,¹⁶ because it establishes a due, fee, or other charge imposed by ISE.

¹⁴ 15 U.S.C. 78f(b)(8).

¹⁵ 15 U.S.C. 78s(b)(3)(A)(ii).

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an E-mail to rule-comments@sec.gov. Please include File No. SR-ISE-2014-27 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-1090.

All submissions should refer to File Number SR-ISE-2014-27. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the

¹⁶ 17 CFR 240.19b-4(f)(2).

proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of such filing also will be available for inspection and copying at the principal office of the ISE. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-ISE-2014-27 and should be submitted by **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷

Kevin M. O'Neill,
Deputy Secretary.

BILLING CODE 8011-01p

[FR Doc. 2014-11570 Filed 05/19/2014 at 8:45 am; Publication Date: 05/20/2014]

¹⁷ 17 CFR 200.30-3(a)(12).